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ECONOMIC CONSEQUENCES OF PARTITIONING GERMANY

A preliminary analysis of the economic structure of four regions of Germany and of the economic problems that would arise if the country were partitioned along those lines.

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ECONOMIC CONSEQUENCES OF PARTITIONING GERMANY

I. INTRODUCTION

The purpose of this section is to discuss the economic consequences of partitioning Germany. In order to simplify the analysis, the country has been divided into four regions as indicated on an accompanying map. The basis for this division was largely political.

It is necessary before discussing the economic aspects of partition to stress the priority of political problems and attitudes. A political boundary may have no effect on economic developments, or on the other hand its effect may be tremendous. The difference depends entirely on the attitude of the governments concerned. If trade is allowed to flow freely, and if companies organized in one state are free to operate in all other states, the mere administrative division of Germany would have little or no economic significance. It can hardly be assumed, however, that the partition of Germany could be carried out in such an atmosphere of good will as to minimize the evil economic consequences. Experience after the first World War suggests that newly established countries are likely to impose limitations on freedom of trade and on international business activity, and are likely to employ all the weapons of economic

warfare and discrimination. If this is the case, it is important to investigate the degree to which the four regions under consideration are economically balanced.

II. ECONOMIC CHARACTERISTICS OF THE REGION

A. Population

The four regions differ markedly in relative size of their population. By far the largest is the East Central region which in 1939 had a population of about 23,000,000 as presented in Table I. The greater Rhineland region comes closely behind with a population of 19,000,000 while the Southern region and the Northwest region are considerably smaller at about 13,000,000 and 8,000,000 respectively.

B. Income

National income is distributed fairly closely in proportion to population as among the various regions, in spite of the fact that there is considerable geographical variation of the per capital level of income within Germany. Table II gives the 1934 distribution of net national income among the regions and districts.

C. Distribution of Gainfully Employed

In Table III is shown the distribution of gainfully employed population in the various regions. The North Central region has a highly developed metal fabricating industry and is an important producer of textiles, clothing, machinery and metal products and electro-technical products. In spite of

Table 1. POPULATION BY SELECTED AREAS IN GERMANY
17 May 1939

		Population
I.	East Central Region	
	Berlin	4,338,756
	Brandenburg	3,007,933
	Province Sachsen	3,618,458
	Land Sachsen	5,231,739
	Thüringen	1,743,624
	Mecklenburg	900,417
	Braunschweig	583,338
	Anhalt	431,422
	Niederschlesien	3,286,539
	Sub-Total	23,142,226
II.	Northwest Region	
	Hamburg	1,711,877
	Schleswig Holstein	1,589,267
	Hannover	3,476,056
	Schaumburg Lippe	53,195
	Oldenburg	577,643
	Bremen	450,084
	Lippe	187,220
	Sub-Total	8,045,342
III.	The Greater Rhineland	
	Westfalen	5,209,401
	Hessen-Nassau	2,675,111
	Rheinprovinz	7,915,820
	Hessen	1,469,215
	Bayern l. d. Rhein	1,049,786
	Saar	842,454
	Sub- Total	19,161,797
IV.	Southern Region	
	Bayern r. d. Rhein	7,173,196
	Baden	2,502,442
	Wurttenberg	2,896,920
	Hohenzollerische Lande	73,706
	Sub-Total	12,646,264

Table II. NET NATIONAL INCOME - 1934

	(millions of RM)
I. East Central Region	
Berlin	5,155
Brandenburg	2,187
Prov Sachsen	2,692
Land Sachsen	4,575
Thüringen	1,256
* Mecklenburg	696
* Braunschweig	452
* Anhalt	336
Niederschlesien	2,284
	19,633
Income per capita (RM)	848
II. Northwest Region	
Hamburg	1,355
Schesw-Holstein	1,336
Hannover	2,664
* Schaumburg Lippe	40
* Oldenburg	447
* Bremen	351
* Lippe	144
	6,357
Income per capita (RM)	790
III. Greater Rhineland	
Westfalen	3,555
Hessen-Nassau	2,059
Rheinland	6,129
Hessen	1,043
Bayern l. der Rhein	708
	13,494
Income per capita (RM)	736
IV. Southern Region	
Bayern r. der Rhein	4,961
Baden	1,988
Württenberg	2,489
* Hohenzollern	58
	9,396
Income per capita (RM)	742

* Estimated

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Table 3. Percentage Distribution of Gainfully Employed in Germany by Industry[1]

	East Central	Northwest	Greater Rhineland	South	Total Germany (Alt Reich excl. Saar)
Agriculture	19.32	26.30	20.51	34.85	25.52
Forestry, etc	.45	.61	.34	.59	.54
Coal Mining	.98	.12	4.90	.10	1.69
Iron Mining	.03	.18	.15	.09	.10
Metal or Mining	.08	.03	.08	----	.07
Other Mining	.17	.43	.05	.03	.14
Stone, Clay & Glass	2.16	1.12	1.94	2.02	1.89
Basic Iron & Steel	1.00	1.00	5.01	.63	1.88
Metal Products Mfc.	3.27	1.99	3.83	3.00	3.04
Machinery	4.45	2.32	3.82	3.10	3.49
Heavy Engineering	.12	.08	.30	.09	.16
Transportation, Equipment & Shipbuilding	2.32	3.87	1.45	1.72	2.09
Electrotechmical	3.06	.97	1.26	1.66	1.86
Precision & Optical	.76	.41	.25	.93	.56
Chemical	1.69	1.30	2.03	.81	1.46
Textiles	4.89	1.20	3.01	3.30	3.31
Paper	1.01	.38	.68	.78	.77
Printing & Reproduction	1.05	.39	.58	.60	.72
Leather & Linoleum	.39	.38	.64	.53	.46
Rubber Production	.16	.71	.23	.12	.23
Sawmill & Wood	2.32	2.14	2.35	2.94	2.42
Musical Instruments and Toys	.26	.05	.01	.28	.16
Food Products	4.43	4.46	4.11	4.54	4.23
Clothing	4.65	2.78	3.87	3.83	3.87
Building & Construction	6.47	7.23	6.99	6.41	6.84
Water, Gas & Electricity	.70	.64	.60	.51	.61
Trade & Commerce)	8.71)	10.03)	8.39)	6.00)	8.03)
Related Services)	8.09)	10.00)	6.93)	5.85)	7.41)
Miscellaneous Services	16.94	18.64	15.67	14.84	16.40
Unattached	.07	.05	.02	.07	.06
Total	100.00	100.00	100.00	100.00	100.00

1. Last digits have been rounded off.

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the fact that all these industries depend heavily upon the production of metal and minerals the North Central region is very weak in the production of basic iron and steel and in the mining of minerals other than brown coal. Its trade and commerce and related services are quite well developed lying only slightly above the average for all of Germany. Although there is a lower percentage of gainfully employed in agriculture in this region than in any other of the four regions, East Central Germany is self sufficient in grains but has important deficits of meat, fish, fresh vegetables and processed dairy products. In short, this region shows a very high concentration of final fabricating industries and appears to be markedly deficient in elementary raw materials, especially bituminous coal and basic iron and steel production.

The Northwest Region is the best developed of all four regions in trade and commerce, but its agriculture is also highly developed. Its textile and clothing industries are very much below the level of importance of these industries in the rest of Germany, and in the production of metal products, machinery and electro-technical products as well as such activities as making of paper and the mining of coal and metallic ores this region falls very low.

The Greater Rhineland Region, like the East-Central Region, is deficient in agriculture but unlike the East-

Central Region the Greater Rhineland area is the prime source of raw materials and basic industrial products. It is the great center for the basic iron and steel industry of Germany and is responsible for a major share of German coal production. It shares with the central part of Germany a strong development in the metal fabricating and machinery industries and also leads in the importance of chemical industries. It is not especially well developed in trade and commerce and related services, at least relative to the rest of Germany.

The Southern Region is the most highly developed agriculturally and least developed industrially of the four regions here considered. Like the Northwestern region it has little or no coal resources and practically no basic metal industries. Like all the rest of Germany, however, it does have a fairly important metal fabricating industry although in this respect it must somewhat fall behind the East-Central and the Greater Rhineland regions. It is conspicuously weaker in trade, commerce, and related services than the rest of Germany.

Because of the very considerable differences in the industrial composition of these four areas the partitioning of German, if it were to bring with it trade barriers between these various regions would have highly disruptive effects

upon the economy of Germany. Although the statistics of gainfully employed illustrate this point quite forcefully it may be seen in greater detail from the statistics of inter-regional trade in Germany, a study of which is now in progress and will be forthcoming shortly.

III. INTER-REGIONAL TRADE

German internal trade consists principally of flow of industrial products and coal from the western and central regions to the south and east, and a reverse flow of agricultural products. The country taken as a whole is practically self-sufficient in foodstuffs but exports of finished industrial products have traditionally balanced imports of industrial raw materials such as ores and textile fibers. Of the four hypothetical regions, however, none approaches self-sufficiency. Interruption of the internal trade of Germany would create serious problems not only for the country itself but for the rest of Europe and the world at large. Isolation of the Greater Rhineland area from its normal German markets would be a particularly complicating factor in world trade. Before the war, coal from the Ruhr was exported to western Europe at prices well below those prevailing in Germany. If the German market were destroyed the pressure towards such aggressive dumping would be intensified. The same consideration holds true for iron, steel,

industrial equipment and other machinery. In order to obtain necessary foodstuffs the Rhenish region will be forced to export at almost any price. The competition of such a truncated country for South American markets, for example, would be formidable.

Naturally there is a gradation of alternatives between complete disruption of the present German market and complete free trade, and the adverse economic consequences of partitioning depend on the degree to which political boundaries become economic boundaries as well.

IV. ADMINISTRATIVE AND BUSINESS CONSIDERATIONS

Apart from the economic consequences proper, the partition of Germany would raise certain administrative problems. The spheres of authority of certain government agencies and of quasi-government agencies such as the Reichsbank, Reichspost and the Reichsbahn cut across regional boundaries. There is no reason to feel, however, that such problems could not be rather easily solved, given the essential minimum of economic and political stability.

Similarly it would be quite easy from a legal point of view to break up those great German corporations whose activities extend over several of these regions. There would indeed be serious problems involved concerning the equitable treatment of the owners but the technical problem of forcing

these components of the great industrial aggregate to function on a formally independent basis is not very serious. The practical difficulties, however, involved in the way in which the newly constituted parties will behave toward each other may be serious. To the extent that unified behavior is still possible on a national level, of course, the trouble would be very small but if barriers are set up to hamper the transaction of business or the exercise of administration across the newly constituted boundaries the whole situation would be to that extent complicated.

It may be felt, however, that if the partition of Germany is to be effective in a political sense, it must be accompanied by the partitioning of such industrial empires as I. G. Farben. Furthermore, it may appear necessary to destroy the power of manufactuers' associations and other communities of business interest that stretch across the new frontiers. This task would be immensely difficult in fact if not in form because of the intimate interweaving of control over the whole field of German industry. All the problems suggested by the inter-relationship of German corporations with Swiss and Dutch concerns would arise in intensified forms and could be meet only by very drastic and persistent action.